

A CIVIL INVESTING STRATEGY FOR PUTTING COMMUNITIES IN CHARGE

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Kettering
Foundation

Kettering Foundation

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INTRODUCTION

Philanthropy has never really lived up to its potential as an instrument for human development. We distinguish it nonetheless from other worthwhile pursuits of charitable work or disaster relief because some philanthropy, particularly as it evolved in its American conception early in the twentieth century, was supposed to be more than a mechanism to remedy immediate needs. In particular, philanthropy was expected to go to the source and address the circumstances that led to the immediate needs.¹ Implicitly, therefore, there was always a connection between the goals of modern philanthropy and human development broadly writ. The fact that we're still struggling with the right way to support human development presents philanthropy both with a challenge and a new opportunity.

I will argue that this connection and its implications spill over into the more specialized endeavor of development assistance, whether official or private. The latter was intended to set in motion in poor countries a dynamic that would spur their capacity to sustain their own social and economic advance. Like philanthropy, it was not just meant to remedy the needs but also to address the circumstances that generated the needs. It too has not lived up to expectations.

Development assistance emerged as a distinct field of official activity after World War II in the competitive context of the cold war. It was seen as the economic adjunct of the East-West competition for the political hearts and minds of what was euphemistically then called the *third world*. That the "Eastern" model of development failed to deliver to its beneficiaries, particularly upon the collapse of its main sponsor the Soviet Union, was cause for celebration in the West. That the "Western" model has fared no better is now cause for profound epistemological hand-wringing, deep policy debates about who's doing it "wrong," and all sorts of Monday-morning quarterbacking about applications of the various policy models. The fact remains nevertheless that Latin America² is no more capable now of sustaining unaided its own social and economic progress than it was a half-century ago, Africa is clearly worse off, and Asia presents a fascinating mixed picture seemingly unrelated to the levels of foreign aid it

¹ In 1950, as the Ford Foundation tooled up to become a national (as opposed to a Michigan) institution, a commissioned report to guide its programs identified its "areas of action" as activities toward "1. . . the establishment of a world order of law and justice. 2. . . securing greater allegiance to the basic principles of freedom and democracy in the solution of the insistent problems of an ever-changing society. 3. . . improving economic institutions for the better realization of democratic goals. 4. . . enabling individuals more fully to realize their intellectual, civic, and spiritual potentialities. 5. . . increasing knowledge of factors that influence or determine human conduct. (Cited in Richard Magat, *The Ford Foundation at Work*, Plenum Press 1979, pp. 18-19.) Clearly, this went far beyond basic charitable work and inspired the other national foundations that followed in Ford's path.

² With the possible exception of Chile, ironically not generally considered a major recipient of development assistance.

“The challenge of democratic governance does not only consist of the creation of institutions, but also the development and fostering in the population of a culture of responsible citizenry.”

—Inter-American
Development
Bank

has received. Yet only recently have the major donors begun to wonder openly whether something was not fundamentally wrong with the basic assumptions of the “Western” model of development assistance that created the international financial institutions at Breton Woods, New Hampshire, in 1944.³

The model, although evolving over the years through various prescriptive interpretations, was always based on the same diagnosis: underdevelopment, as in poverty, is an economic disease and requires economic remedies. The initial prescription focused on the evident deficiencies in economic infrastructure in the poor countries and set out to address them. Into the 1960s, foreign aid centered primarily on large loans and donations for building physical capital infrastructure to attract and complement the industrial investment capital that would be the engine of development.⁴ Subsequently, the programs added a human coordinating and implementing element. “Human capital formation” became the rallying cry behind the creation of universities, policy centers, and technology research institutions in all related fields. Finally, beginning in the 1980s and into the present, the field changed with the realization that all that physical infrastructure and all that talent and knowledge needed mediating institutions to weave them together.⁵ In response, foreign-aid agencies began to focus on building financial, legislative, judicial, administrative, and policy implementation institutions. Interestingly, this also included, for the first time, a realization that all of this institutional nurturing ought not to be entrusted to the government and, beginning in the early 1990s, a parallel effort to “strengthen civil society” emerged. This newly gained legitimacy for nongovernmental actors was built into advisory mechanisms at the UN Development Program, the U.S. Agency for International Development, the Organization of American States, the Inter-American Development Bank (IDB) and the World Bank. In what was seen as a pioneering measure at the time, the official Plan of Action of the 1994 Presidential Summit of the Americas, celebrating the re-instatement of elected governments throughout the region, incorporated into its agenda the recognition that:

A strong and diverse civil society, organized in various ways and sectors, including individuals, the private sector, labor, political parties, academics and other non-governmental actors and organizations, gives depth and durability to democracy. Similarly, a vigorous democracy requires broad participation in public issues.⁶

Subsequently the agenda of the IDB for the April 2001 Summit of the Americas in Quebec, Canada, stated:

³ See, most dramatically, Joseph Stiglitz’ *Globalization and Its Discontents* (WW Norton & Co., 2002) and William Easterly’s *The Elusive Quest for Growth: Economists’ Adventures and Misadventures in the Tropics* (MIT Press, 2002) and *The White Man’s Burden* (The Penguin Press HC, 2006).

⁴ The idea was that foreign investment would flow to take advantage of the infrastructure and the cheap local labor. See for example: Lloyd G. Reynolds, “Economic Development with Surplus Labor: Some Complications,” in *Oxford Economic Papers* (March 1969).

⁵ The thrust of the decade was well summarized in the World Bank’s *Beyond the Washington Consensus: Institutions Matter*, Shahid Javed Burki and Guillermo Perry (Washington DC, 1998).

⁶ Section I-3.

The efforts to modernize the state as well as to strengthen civil society cannot fully accomplish their democratic goals in the absence of a culture of citizenry that makes them operational. . . . The challenge of democratic governance does not only consist of the creation of institutions, but also the development and fostering in the population of a culture of responsible citizenry, which feeds both civil society as well as the governmental and political processes.⁷

In the 1990s, this three-tiered capital infrastructure—physical, human, and institutional capital—was tied to complementary national policies of market openness, government decentralization, and privatization, summarized in what became known as “the Washington consensus.” Evidence that the model might be working began to emerge in some countries in Asia and Latin America. However, the collapse of the “dot-com boom” in the advanced countries at the end of the decade strained international financial markets and drained private investment resources in developing countries. Thus by century’s end, the development successes of the 1990s began to crumble. The “Asian Tigers” experienced crises in their financial institutions after revelations of insider abuse that shook even Japan. Meanwhile Latin America’s star performer, Argentina, had a near meltdown in 2001 as its overextended financial house came crashing down. Its political institutional establishment, sturdy on the surface but ultimately insubstantial, called on public trust for support of its adjustment policies and received instead a massive rejection that sent incomes tumbling by one-third and the value of the national currency down by two-thirds.

Crises of confidence multiplied throughout the hemisphere in the first years of the new century. Governments were forced out of power in Ecuador and Bolivia while barely maintaining a semblance of constitutional succession. In Peru the government tottered under single-digit approval ratings. In Colombia a desperate electoral mandate gave the government emergency police-state powers to contain a 50-year insurgency now financed by the drug trade. In Venezuela a radically split population was willing to risk national instability before coming to terms with itself. Central American and Caribbean countries were traumatized by corruption, street crime, and inefficiency, and even the darlings of Latin American democracy—Mexico and Brazil—were shaken to their roots by citizens demanding good governance and making their mistrust in public institutions clearly known.

As elected governments become increasingly incapable of providing their citizens the basic levels of stability, prosperity, and security, national democracy itself was judged to be failing. In 2004, surveys showed that 21 percent of all Latin Americans would consider authoritarian national governments as an option, while support for democracy as the preferred option declined between 1996 and 2004. Interestingly, as trust in national governments fell precipitously, citizens became more active at local levels. These activities ranged from presumably spontaneous street confrontations spurred by the *piquetero* movement in Argentina, to organized collaboration with local government in the “participatory budget” movements spreading from Brazil to other countries.

⁷Inter-American Development Bank (2001), p. 19.

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— World Bank
Voices of the Poor

Foreign-aid agencies took note. In 2002, the World Bank published a seminal three-volume study called *Voices of the Poor*,⁸ which for the first time explicitly recognized that their ultimate clients did not only have needs—they had voices to express them. Although not immediately reflected in the bank's daily business, the report implied a needed sea change in the bank's approach. It would no longer be the job of experts to assess and diagnose the needs of the poor; they would now be expected to listen to what the poor had to say. Outside assistance, therefore, would now shift toward helping the poor coordinate and articulate their voices more effectively so that they could design and carry out their own initiatives. The role of development assistance would have to change from addressing the needs to becoming the instrument that enabled people to address their own needs.

It wouldn't happen easily. Since the 1990s, foreign aid had begun accommodating ideas emerging from the three policy devolutions noted above: away from centralized planning and toward the markets; away from national policymaking and toward local governance; and, away from government and toward nongovernmental "civil society" actors. The result was the emergence of two related program concepts: *community driven development* (CDD) with the World Bank as its main exponent, and *asset-based community development* (ABCD) promulgated by USAID. While operationally distinct, both nonetheless relied on the community and its energy and resources as the engines of development.

However, both also implicitly assumed that although the community was the locomotive—the source of energy—it was the job of the planners to lay the tracks. The challenge they perceived was how to get the community motivated to follow these tracks to take advantage of the policy opportunities made available by the aid establishment. While they recognized that the communities might benefit from deliberation and decision-making skills, they saw these more as a way of fine-tuning what aid programs had basically laid out. Neither one recognized the need to have the communities see themselves as the architects of the direction they wanted to take themselves, and neither one saw the aid establishment as a technical resource at the service of communities rather than as a guide for their enlightenment. A fundamental message went unheeded: only the communities themselves can determine *what*; the usefulness of the experts lies in helping them figure out *how*.

Foreign-assistance donors, as well as private foundations, could understand the need to work the wishes of the community into their procedures, but they could not alter their institutional mindset enough to put the communities at the helm. While they recognized the dissonance produced by their cognition that the voices of the governed were absent from the governance structures they designed, they were yet able to assimilate that information into their world view without altering it. They made the communities their junior partners. They shared some of the power but did not relinquish it.

⁸ By Deepa Narayan, Washington, D.C. A first volume focusing on Tanzania was originally published in 1997.

Neither one of them fully incorporated this new role, which would have required restructuring their mindset and giving the people control.

This essay is a reflection on this dilemma. It is about the difficulties found by development assistance institutions—public and private—in incorporating the idea of investing in civic capacities rather than just funding development projects. It explores the possibility that this difficulty arises not because the idea is too foreign to what these donors already do, but rather because it is so similar on the surface yet mandates a fundamental change in mindset and in the power relationship between donor and grantee.

PART I

THE CIVIC MESSAGE

Most human life happens in communities. In many rural communities and in traditional settings life still goes on pretty much along the basic lines established in prehistory: a few hundred individuals bound together by kinship and reciprocal bonds of loyalty. In such communities everyone knows his or her place and everyone knows the rules of relating. Violations are easily identified and effectively dealt with. People in the community therefore trust each other, not necessarily because they like each other but because they can identify and keep tabs on each other.

We call “**bonding** social capital”⁹ the structure of norms that guide the relationship of people in such circles and the trust that comes with it. Of course most human communities have long outstripped the size of the primordial one. Still, we seem to carry on the capacity to deal in especially close ways only with the same reduced number of persons, regardless of the size of the community we actually live in. These are the people we would call on for advice or for opinions about important issues. In the larger communities most of the other people we deal with are, in this intimate sense, strangers.

To deal effectively with such strangers, we rely on a wholly different set of norms. We call some of them “**bridging** social capital.” They refer to connecting links that may emerge between circles, with ties of trust that reach out to both sides of the connection. These links may be a single individual with dual ties or, more likely, two (or more) individuals who develop bonding ties between themselves, and each offers the other

⁹ For an introductory presentation, see: R. Daubon and Alfredo Carrasquillo, *Capital Social* (Puerto Rico: Editorial TalCual, 2003).

trusted access to his circle. Modern “networking” among professionals exemplifies this, as do traditional arranged marriages between families, or migrant networks connecting the home community with the host society via emigrants who have adapted and integrated successfully. Although internally weaker than the bonding ties, these bridging connections have important economic impact as they allow larger economies of scale and efficiencies of operation.¹⁰

But in today’s world a further type of connection is also necessary. These are indirect links—impersonal, mediating institutions that allow transactions between individuals totally disconnected from each other. We call these indirect links, and the norms and practices that regulate them, “**access social capital.**” They permeate life in complex societies and allow their day-to-day functioning. They can be extremely powerful. Advocates of certain public policies can thus support each other by supporting a political party that espouses such policies. Savers can lend resources to unknown investors by channeling them through the banking system. We agree to pay taxes to a government institution that is far removed from us but whom we trust will put our resources to good use.

So there is no question that trustworthy institutions are necessary. Development assistance has focused for the past decade on supplying a perceived need for well-designed institutions. These have covered the gamut from managing the public bureaucracy to judicial systems to effective parliamentary processes. Well-designed systems have been put in place to monitor public procurement procedures and public appointments, to manage public corporations, and to run public transit systems. In recent years, assistance has spilled over into strengthening institutions of the private sector with impacts on public life. Business ethics and corporate social responsibility have thus received increased support, as have efforts devoted to strengthening civil society.

Yet in Latin America, bureaucracy remains rife with patronage, judges are nearly universally suspect, parliaments are often rubber-stamps or are paralyzed, government contracts are notoriously awarded to political cronies, government positions are apportioned to friends, public corporations are seen as nests of inefficiency and corruption, taxes are withheld even by concerned citizens because they do not trust the government’s use of the money, and few people pay attention to traffic laws. Similarly in the public’s perception of the business sector, cronyism and tax avoidance remain endemic and unfettered greed is seen as its driving force. Meanwhile, “civil society organizations” have carved a niche for themselves as an alternative to an ineffective and corrupt state and a rapacious business sector and have positioned themselves as the unelected and unlegitimized voice of the citizens. The economic costs of this absence of democratic transparency alone is enough to explain Latin America’s backwardness.

¹⁰ An excellent and common example occurs in traditional communities who export product to metropolitan areas and rely on relatives in the latter to market their product in their newly developed networks.

So a supply of good institutions is evidently not enough. To create them by legislative edict does not make them work. Somehow people must be able to insist on good governance. But wanting it does not make it happen. Institutions will work when a public covenant builds around them and demands that they work.¹¹ Creating that public covenant appears to be at the root of the problem. In my view, the democratic construction of that civic covenant is what makes it sustainable; it begins at the level of communities, and only then can it be usefully facilitated by the well-placed civic investments of philanthropic donors. Like the institutions they are made to serve, these civic values cannot be imposed. They must emerge organically from the public life of communities. Civic investors must perform work enmeshed within the dynamics of that public life.

That dynamic manifests itself in the political “spaces” where citizens interact. These may be in the everyday interactions of normal life, or they may be structured meetings in which citizens gather to talk over shared concerns. We call these *public spaces*.¹² Although the spaces are most typically local, they may also deal with broader, national issues.¹³ Although participatory by nature, these spaces are not always democratic, however. They may be formulaic and dominated by a convening authority which guides the proceedings; they may be steered by outside interventions to arrive at preordained positions; or, they may be taken over from within by “participatory elites” who contrive to impose their own agendas. In an era when *public participation* has become a buzzword for much philanthropy, special care must be taken by philanthropic interventions to see that the spaces they help to create and foster remain democratic and open. What then determines the creation of these covenants and democratizes these public spaces, and how can external donors help generate the circumstances that produce them? I suggest that they emerge from a specific way of relating, a specific politics in the community. I also suggest that donors can be instrumental in encouraging that way of relating, although donors would first have to see themselves in a different light—as civic investors.

This would change the nature of the typical intervention, and that makes it difficult for donors to internalize. They would no longer be just funding projects, even though the funded project might be the vehicle for the investing. They would instead be intervening in the public life of communities and altering that public life. This will

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¹¹ See David W. Brown, *When Strangers Cooperate: Using Social Conventions to Govern Selves* (New York: The Free Press, 1995) for examples of the power of these simple covenants.

¹² See: A. Bebbington, G. Delemaza, and R. Villar, “El Desarrollo de Base y los Espacios Públicos de Concertación Local” in *Debate Agrario*, v. 40/41 (2006) for a theoretical presentation with four thematic working papers, five case studies, and recommendations for development agencies. A summarized English version was prepared for the Inter-American Foundation as “Grassroots Development and Public Spaces for Local Civic Action in Latin America: Experiences and Recommendations for Development Agencies” and is available at www.IAF.gov.

¹³ The National Issues Forums (NIF) network is predicated on this notion, in which thousands of local deliberative forums come together to deal with national issues. See: www.NIF.org. A sort of national public space is convened by NIF once a year around a selected issue with invited national policymakers, journalists, and pundits and is broadcast on PBS as *A Public Voice*.

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require a change not just in the operations but more fundamentally in the institutional mindset of donors.

We should pause here to note that every intervention into the life of a community adds disturbing noise. Donors may never notice it, but it is inevitable. The introduction of a significant amount of money, expertise, or other resources alters the political relationships of the community. Power is redistributed as the immediate recipient of the donation becomes the oracle that speaks to its source, the donor. The first thing that investors in community development must always realize is that they are interfering with the power relationships of the community. They are not neutral guests. Typically, funded projects alter this power relationship during the duration of the project and then leave that altered relationship behind. The first premise of philanthropy and of development assistance should therefore be to “do no harm.”¹⁴

So, three fundamental revisions are required. First, the community must be seen, not as a frozen picture, but as a dynamic political entity, a coherent system, always in motion and organized by internal norms of relating. It is neither linear nor static. It is governed by sometimes subtle power relationships through which priorities are established and decisions are constantly made and implemented. Any change in those relationships alters the priorities and subsequently the decisions based upon them.

Second, the interventions of civic donors always represent external noise and will always generate internal echoes. The simplest charitable intervention will produce a changed relationship between the immediate managers of the donation and its beneficiaries during the life of the project. This may also leave behind a permanently changed set of relationships within the community.

And third, donors as civic investors have the responsibility of staying with the processes they have thus altered and monitoring the damage they may have caused. Investing takes time. Above all, donors should understand the politics of the community in which they are engaged.

The following three stories, selected from published materials, illustrate what may become of both effective and ineffective philanthropic interventions.

New Indian Wine in Old Ecuadorian Bottles¹⁵

Guamote is a poor municipality in Chimborazo province, Ecuador, with a mostly rural indigenous population and a nonindigenous minority residing in the only town. Tensions were commonplace with the Indian population tied to the landowners as agricultural workers or sharecroppers. Beginning in the 1960s a series of political and social pressures by national indigenous organizations, the Catholic Church, and vari-

¹⁴ For a further elaboration of this point, see: R. Daubon, “All of the Voices,” in *Developing Democracy from the Grassroots* (Washington, DC: Inter-American Foundation and Organization of American States, 2002).

¹⁵ See Anthony Bebbington, “Indigenous Communities, Local Development and Public Decision-Making: The Case of Guamote, Ecuador,” background paper prepared for the study cited in *Debate Agrario* (op cit) and available at www.innovacionciudadana.cl/latinoamerica/es_pacios.asp.

ous political parties led to national land reform and the end of the great plantations. It also led to the formation of stronger indigenous organizations throughout the country and a series of support services for indigenous groups otherwise supported by the government, the Catholic Church, and international donors.

Meanwhile, a group of local indigenous leaders began organizing in Guamote to take advantage of the emerging democracy and the support offered by these programs. It was evident to them that an indigenous majority could wrest control of the municipality by democratic means and, by 1992, Guamote had elected an indigenous city council and an indigenous mayor. But the election did more than change the faces of the elected officials. In effect, it created a new governance structure built upon traditional rules of connectedness to power sources once outside the official structures but now formally within the municipal government. Anthony Bebbington narrates:

The model (had) three main components: the Local Development Committee, the Popular Indigenous Parliament of Guamote and the municipal government itself. The Local Development Committee is composed of twelve secondary organizations and is responsible for creating and revising development plans, implementing these plans and coordinating roundtables among representatives and the interested parties affected by specific projects. The Popular Indigenous Parliament of Guamote is made up of the presidents of each of the 133 rural and urban communities of the canton. It functions as a space for the representation of communal interests. The Parliament legislates, delineates policies and monitors the activities of the Development Committee and the municipality. The municipality coordinates and authorizes all the political activity in the canton. It is the elected body and the only political entity recognized by the central government.¹⁶

Both the development committee and the indigenous parliament became, in effect, spaces for local civic action. The latter was a deliberative and advisory body, the former a community planning and executing agency with the capacity to raise resources from the central government, as well as from private and international donors. Positions in these participatory bodies were designed to rotate, presumably to decrease the probability of forming elites or citizen leaders who could monopolize them. However, both bodies were beholden to the municipal government and although they were both participatory neither was, in effect, *civic*. The parliament had no registration as a formal entity and the development committee was chaired by the mayor and was structured so that all its decisions passed through the municipality. The mayor retained considerable control.

The limited independence of the two bodies protected them both from internal fragmentation and from being appropriated from without, dangers always present in a population just beginning to experiment with democracy. On the other hand, it limited their autonomy and, because the mayor had a monopoly on access to external resources and international philanthropy, it further closed the only paths to effective autonomous citizen action. As schools for democracy, as public spaces, both experiments thus fell short.

¹⁶ Ibid., p. 20.

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The innovation changed the faces and the structures of government in Guamote but failed to change its political culture. The bonding relationships of people in the inner circles were maintained and the traditional spokespersons tended to be selected to participate in the parliament and the development committee. This further cemented their traditional roles as it gave them direct access to a hitherto unavailable municipal authority and to larger resources. This, in turn, further cemented a vertical decision-making style of authority by municipal officials and further discouraged downward accountability by traditional leaders. Says Bebbington: “The population has never taken everyday ownership of the two spaces created, which has effectively meant that the civic engagement and action allowed for in these spaces has involved local leaders far more than the general population.”

Nevertheless the Guamote experiment attracted a great deal of support from external donors. It connected horizontally with other communities in Ecuador—indigenous or otherwise—which saw it as a replicable experiment. Chiefly, the experience created new access social capital with the national government, which used it as a showpiece of indigenous empowerment, and with an international donor community impressed by its strong ethnic flavor. But the model became a victim of its own success. Donors often had competing directives, responding to their own institutional philosophies and interests, and the ever-increasing lure of external funding kept distorting whatever internal coherence the local plans may have had initially. Moreover, the weaknesses inherent in the still vertical nature of its government became evident when the original indigenous mayor was called for national service and his less charismatic replacements were incapable of keeping its proceedings transparent.

The lesson for donors is critical and universal. A poor community with authoritarian bonding social connections will rely on authoritarian spokespersons for both its bridging and its upward access connections. The most direct challenge for donors is not to succumb to the lure of structural changes that bring such grassroots leaders to positions of higher authority but to reproduce at the higher levels the same undemocratic structure. With the admitted benefit of hindsight, donors could have supported, at the beginning, concrete activities that elicited more direct participation in community decision making at the very local levels, particularly with regard to the formulation of the plans of the development committee. One compromise might have been to retain the indigenous parliament as an advisory body of traditional notables, to provide a certain guarantee of stability, and to make of the development committee an arena where the free-for-all of new democratic ideas was aired.¹⁷ In either case, both bodies should have retained participation in, but independence from, the municipal government. Bebbington concludes:

There have been profound changes in the relations of local power, in ethnic relations, and the exercise of local power. There has been an important change in the distribution of land. The quality of life and the sense of dignity and

¹⁷ An interesting analogue could be the community development corporations (CDCs) common in the United States.

ethnic power have improved. However, the population of Guamote continues to be very poor. While there has been a democratization of power, the institutions for participation and deliberation are not yet well consolidated. Poverty continues to limit the exercise of citizenship, and where citizenship is weak, clientelism continues to thrive.

Cheese and Social Capital in the Peruvian Andes¹⁸

Chuquibamba is a semirural village of about 2,000 inhabitants in the southern Peruvian highlands some three hours by road from the city of Arequipa. In the late 1980s, a grant to a regional technical assistance provider brought agricultural extension advisory services on basic agricultural techniques and nutritional instruction for peasant families to this and other communities. This resulted in producing fodder for increased milk production for home consumption and artisanal manufacture of cheese to make use of surplus milk. A local cooperative was the venue for the agricultural instruction and cheese production. The project closed four years later having reported adequate but unspectacular success in meeting its stated goals.

Fast forward 14 years. A visit by the donor verified that a unique civil-economic process had occurred rather autonomously. It appeared that the fodder production had been eminently successful in increasing the production of milk of a particularly high fat content, ideal for cheese making. Artisan cheese production had increased accordingly to the point that peasant families had a surplus to sell. It is hard to tell how the word found its way to the city, but, by 2006, twenty-one individual micro-producers had spun off from the original cooperative and were each selling their own brands of “Chuquibamba cheese” in the market in Arequipa. Distribution was carried out via traditional kinship channels, each producer placing a number of cases of cheese on the provincial bus service to the city, where it was received by a relative and sold in the local open market. Some of the producers were extending this informal marketing network and selling their output farther afield, some in the capital city of Lima many miles away. A particularly enterprising producer was exporting through Bolivia to relatives in Brazil for sale there. Demand for the cheese had grown to the point that producers were experimenting with new varieties and, perhaps most significantly, a competing town was making its own cheese and selling it illegitimately as Chuquibamba cheese.

The donor’s visit, after a decade’s absence, confirmed some important civic changes. First, the cheese producers, while retaining membership in the agricultural co-op as the spawning ground of new ideas, had formed a producers’ federation to deal with their common concerns, thus reshaping their bonding social capital. Second, there was shared indignation—with no less meaningful pride—that the name of their cheese was now valuable enough to be usurped by pirates. An immediate order of business, therefore, was registering the “Cheese from Chuquibamba” with

¹⁸Reported in Alipio Montes Urdy, “Development of the Dairy Industry in the Peruvian Andes,” in *Grassroots Development* Vol. 24.1 (2003).

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Peruvian authorities.¹⁹ Moreover, a major issue was whether to market under a collective trademark—duly registered—or to keep their individual brands. Their decision to keep their products distinguished by brand but all marketed under the common name, “Cheese from Chuquibamba,” showed considerable acumen and awareness of the formal risks and opportunities of markets. It is noteworthy that all this emerged with only minimal orientation from the original NGO, whose sponsored support for the group had ended years earlier. This was an essentially spontaneous discovery of the market emanating from their acting together in the co-op, the seminal public space. Moreover, the group was now discussing collective distribution via a joint agreement by the producers association with a transport company.²⁰

And it went on, with an explosion of social connections, horizontally with other actors in the village and vertically with the state. Aware of their collective reputation, the group now also considered bringing the market to them, by organizing a cheese festival complete with a “Cheese Queen” beauty pageant. This led to several insights that created a new weaving of social capital networks in the village. First, while it was nestled amidst spectacular mountain beauty, its own physical appearance needed improvement. An old church and its facing plaza might have been attractive in years past but was now badly in need of repair. This led to a new working relationship with the parish priest and with the municipal authority to spruce up the town using volunteer labor and municipal resources—the latter presumably enhanced as the mayor reported news of this newly found civic energy to higher provincial authorities. Meanwhile a drive to enhance amenities for visitors led to conversations with the handful of local eating establishments about improving their menus. Other conversations with town residents explored the possibility of government tourism credits to upgrade bedrooms in their homes to receive tourists. Finally, the producers association approached national public works authorities for a partnership agreement to upgrade and pave the access road to the village with government machines and engineers and community volunteer labor. Most significant perhaps, is that all these plans were being discussed at the dinner table of the wealthiest citizen in town, a breeder of fine horses, in the presence of the mayor and other civic notables. That a newly expanded public space had been convened by barely literate peasants who now shared the venue as citizens of the community would have been beyond imaginable just a decade earlier. Now, though, it was evidently considered unremarkable. We don’t know yet whether these new ventures will succeed, but it is indisputable that the sense of possibilities for these folks has been altered in revolutionary ways.

¹⁹ It is hard to overestimate the significance of this leap into access social capital formality for peasants who ten years earlier were barely participating in the money economy.

²⁰ Again, the notion of formal contracts, among themselves and with an outside commercial enterprise would have been unthinkable a few years earlier.

Uncertain Development among the Argentine Guaraní²¹

The Guaraní people of Fracrán and Perutí had lived for ages as forest hunters and gatherers in the northern Argentine province of Misiones and across the mighty Paraná River in Paraguay. Until relatively recently, they had probably been oblivious to both countries and essentially disconnected from both of their economies. Eventually, in the 1970s, settlements and forest clearing encroached on their lives. Thus, crowded into an ever-shrinking territory, they came to a Jesuit missionary for help. The 66 families had a simple but revolutionary three-part request: They wanted to learn to read and write in Guaraní and in Spanish to deal with the settlers; they wanted land of their own on which to live and work; and they wanted to learn to farm that land. In short, they wanted to achieve in a brief period of time, the transition from illiterate nomadic hunter-gatherers to literate sedentary farmers—an evolutionary feat that had taken hundreds of years in many human societies. In an impressive insight, they wanted to continue being Guaraní, but they wanted to adapt to modern society, albeit on their own terms. The missionary conveyed the request to the Catholic Diocese of Posadas in Misiones, which decided to help them. The Church put them in touch with the donor community.

A transfer of two parcels of Church property and the provision of agricultural and educational assistance sponsored by the diocese started the process for an integrated development initiative and, in 1978, the communities established themselves and began what was the first Guaraní-Spanish bilingual school in Misiones. In 1982, the Inter-American Foundation approved a grant to the Church-sponsored technical support entity for assistance to the two now-settled communities. It covered agricultural training plus installations and water systems for chicken and pork production, which would be sold to neighboring towns. Other local and international donors followed suit. With this help the two communities were able to establish their land title, build permanent houses, learn to farm family and communal plots, hire Guaraní teachers from neighboring Paraguay, acquire bread ovens and sewing machines, and establish fruit orchards, carpentry shops, and a cooperative for handicraft production. In 1986, the villages provided inspiration, materials, and cast extras for the nearby filming of the movie *The Mission* about the Jesuit settlements among the Guaraní in the sixteenth to eighteenth centuries.

Both communities seemed to thrive and, by the early 1990s, the donor projects were closed out as having successfully achieved their goals. But in 2005, Patrick Breslin visited and described a miserably different picture:

We stopped first in Perutí at two large cement slabs that had (once) provided space for 600 chickens each, complete with a system piping heat to the birds.

In an impressive insight, they wanted to continue being Guaraní, but they wanted to adapt to modern society, albeit on their own terms.

²¹ See: “Dreams among the Ruins: A New Generation of Guaraní Rethinks Development” by Patrick Breslin, in *Grassroots Development*, Vol 26.1 (2005).

The observations continued at the site of the former pigpen. All that remains are charred stumps of the shed, a concrete floor and a few twisted pipes. . . . Farther into the project's ruins was the carpentry workshop donated by a European funder. This shop made the bows and arrows, and even a harp, used in the filming of "The Mission." In its heyday, teachers taught carpentry to Guaraní boys, but the teachers also ran the workshop's business-buying lumber and selling doors, windows, beds, tables and chairs on order from the surrounding towns. Now the building is deserted, saws and drill presses and planers stand rusting, and solid work benches equipped with vises are covered with dust. On the other side of the town, an industrial size sawmill is likewise abandoned.²²

How a project rated successful by donors could turn into this dismal landscape is an abject lesson for philanthropy. The immediate causes are clear. Thirteen years after the project began, the Church hierarchy changed and the project's advisors were moved to other projects. Meanwhile the external funding ended and international donors shifted their attention to more pressing problems, including the explosion of AIDS in Africa and more interesting democratizing enterprises in Eastern Europe, Central Asia, and the former Soviet Union. Finally, a fire, in the mid 1990s, destroyed the pig processing operation in Perutí, while Brazilian competition adversely affected the chicken sales in supermarkets.

But such adversity and competition must be anticipated and faced by every successful business endeavor. And the termination of external support is an expected, even desirable outcome of philanthropic interventions. The deeper question was why these communities were so devastated by these problems and unable to bounce back. It is perhaps significant that the two surviving legacies of the initial project are the firmly held land titles and the bilingual schools. The latter in fact made the concept of bilingual Guaraní-Spanish education first feasible and then served as a model for the now more than one dozen similar schools in the province. In both communities the schools, now staffed by locals, are the center of village life, bustling with activity and highly valued.

Community life continued, nevertheless, after the economic debacle. Some 76 families now live in Perutí and 55 in Fracrán. They survive on subsistence agriculture by raising animals and by hiring out their labor, largely to nearby plantations. Health services continue to be provided by public clinics in both localities. There is now also an Association of Guaraní Communities comprised of the 52 communities in the province. In it, a new generation of leaders serves their respective communities as well as the association with clear ideas for the future. Products of the bilingual schools, they value how far they've come and are intent in preserving their ethnic identity and control over their land. They recognize, nevertheless, that in the initial years, excessive dependence on the technical teams harmed them. Breslin quotes Perutí's *shaman*, or religious leader: "'In general, the project worked,' he said. 'The two goals, land and schools, were achieved. We wanted the land to safeguard our language and our culture, and now we have a sense of security because we are on our own land.'"

²²Ibid., pp. 28-29.

Looking back, this—rather than income generation—should have been the initial theme of the project and the philanthropic support it received. The *zeitgeist* of the 1980s, though, overwhelmed what should have been philanthropies' better sense. Poverty and underdevelopment were then believed to be economic diseases requiring economic remedies. But the original request was specifically for land as a means to guarantee cultural survival. Clearly production on that land was to be important, but it is now evident that it was not central to the proponents' first intention. It is significant that the two elements most related to these initial goals, bilingual schools and retaining title to the land, are what remains. Production, meanwhile, was perhaps seen as a secondary benefit added by the well-meaning philanthropists and left essentially for the latter to control. The Guaranís of Perutí and Fracrán never appropriated the production activity and did not have the wherewithal to rescue it when it faltered. Their energies, tested to the limit in what was still an impressive feat of self-directed cultural evolution, focused on what was most important to them: the schools and the land on which they lived. Everything else was secondary.

The philanthropies' errors are clear in retrospect. First, the technical teams they supported greatly misunderstood the communities' requests for production assistance, substituting the prevailing development models of the time for the more modest outcomes the communities wanted and were prepared to handle. To compound the error, the support teams literally fell in love with the experience. In their desire to alleviate the poverty of their subjects they assumed them as their wards. The Guaraní appreciated and tolerated them, but never really bought into what they were doing. Of all the things that were given to them, they clearly appreciated the land and might perhaps have been willing to find a way to pay for the transfer, which would have been a far more wholesome arrangement. They came to recognize the schools as a financial obligation of the state but insisted early on that they would be community controlled. That remains.

Meanwhile the philanthropic intervention preserved the original bonding connections within the communities but introduced noxious bridging social capital relationships with market actors and inadequate access social capital relationships with officialdom, which the communities did not control and were unable to handle. It also introduced an enormous amount of uncontrollable noise in the politics of the communities. The process by which social capital evolves organically from a solid bonding base out towards new bridging connections and up toward new relationships of authority, was badly violated.

Sadly, the worst legacy of the philanthropic mismanagement was the harm done in leaving the communities with a lingering sense that they had failed. They recognize that the assistance they received was paternalistic and controlling, but one still senses their disappointment in themselves. Breslin quotes the *cacique*, the traditional leader of Perutí: "It was painful to go back over that experience. Remembering what the

In their desire to alleviate the poverty of their subjects [the philanthropies] assumed them as their wards. The Guaraní appreciated and tolerated them, but never really bought into what they were doing.

“Our generation has a sense that we have to start building again, and this time we have to do it ourselves.”

community had at one time and what has been lost. . . . Our generation has a sense that we have to start building again, and this time we have to do it ourselves.”

Nonetheless they are now far better prepared to embark on this than they were in the 1980s. They have a stronger sense of themselves and feel secure in their land. Regardless of the failure of the economic activities, they have been able to survive, increase their numbers, and raise a new generation of literate and mindful young Guaraní. Without foreign philanthropy and without national support programs, they can now do much on their own.

The association could be the instrument for this progress. It presently protects the communities' land claims and acts as the bridge between the communities and the government for whatever agricultural programs exist. It also helps students attend high school outside the communities and seeks markets for handicrafts. Still, rather than plan a grand development scheme the association and the two believe that any renewed efforts at economic development should start with the individual communities. Somehow, a mature sense of limiting the communities' reach to their desires and capacities emerged from the disappointing past experience. That is ultimately success.

If one judges philanthropic interventions both by the achievement of their immediate stated goals and by the establishment of a self-sustaining capacity to continue advancing, the Guaraní project poses an ironic contradiction. On the one hand, by the end of the funded interventions the project was eminently successful in its immediate objectives: the land had been acquired, the schools had been established, and production was going very well. Nevertheless, there was little evidence then of a self-sustaining capacity in any of these three factors. Fifteen years later, on the other hand, we find that production has fallen disastrously but the communities have latched on firmly to the schools and the land as cultural anchors and as the basis of their survival as a people. One might posit, to the credit of the donors, that because they helped the communities achieve their stated goals the communities are now able to pursue others. But one might also argue that by enticing them with production goals that they did not ask for and could not ultimately sustain, philanthropists caused the communities to lose time and to experience both frustration and a sense of failure. That the donors could not see this to begin with should induce some soul searching on the part of philanthropists.

INTERVENING IN THE POLITICS OF COMMUNITY

I argued in Part I that there can be no sustained social and economic advancement without a politics that gives ordinary people a sense of ownership and control over their circumstances.²³ I suggested that this sense can be furthered by philanthropic interventions only insofar as the latter are conceived as investments in the individual and collective capacities for their beneficiaries' self-empowerment rather than as transferences of money for concrete activities.

The first act of self-empowerment is a capacity to define one's own problems. Solutions derived from this definition—with or without expert assistance—are likelier to be sustained over a time sufficient to carry them through. Externally defined problems and solutions will always be suspect, and they are likelier to be abandoned as stumbling blocks inevitably arise.²⁴ Fundamental self-governance is then a *sine qua non* for sustained human progress.

Philanthropy for human progress—development philanthropy—should therefore see as its primary pursuit its beneficiaries' capacities for self-scrutiny and diagnosis, from the individual to the collective. The United Nations Development Program defines it as “a capacity for self-governance—self-determination, self-organization, self-management—a capacity for inclusive processes of decision making and effective action and, a capacity, especially, for social learning.”

The reasoning that connects the individual to the collective is straightforward. A self-assured and growing sense of control over one's individual circumstances will eventually impinge on one's surrounding context, leading the individual to seek some control over it as well. But as contextual circumstances are always shared with others, one must relate to them in some way. One can then either try to impress one's will on them (an unfortunate but common occurrence) or seek through deliberation with others a shared or public direction in which mutual as well as competing interests can be recognized. This public ownership of shared concerns is the foundation of self-governance. Ideally, philanthropy should facilitate public ownership as the basis of sustained human progress. But philanthropy seldom serves that purpose.

²³ Refer also to Daubon and Tenorio, “Civil Investing, Building Community,” *Kettering Review* Vol. 24.1 (2006).

²⁴ For a detailed presentation, see also: Daubon and Saunders: “Operationalizing Social Capital: A Strategy to Enhance Communities' Capacity to Concert,” *International Studies Perspectives* (May 2002).

Only after a community has identified its problem and deliberated to choose its path toward a solution should the philanthropist engage it in the design and execution of a plan of action.

Only after a community has identified its problem and deliberated to choose its path toward a solution should the philanthropist engage it in the design and execution of a plan of action. Yet philanthropy too often focuses immediately and exclusively on the plan of action. At best, it assumes that the definition of the problem and the path proposed to address it are in fact what the beneficiaries would have defined on their own after a thoughtful discussion. At worst, philanthropy openly relies on the opinion of experts or of community elites to define the problem on behalf of the public. In either case, those most affected by the problem and by the solution are allowed little say and therefore no power over them.

Moreover, while philanthropy often excels at promoting individual self-sufficiency, it tends to foster in its beneficiaries a capacity to adapt to their context as a given rather than fostering an ability to change that context. Thus poor people are often “empowered” to better survive in a context of public welfare or housing policies, of given prices for their products or for their labor, or within specifically defined marketing or educational opportunities. They are helped to take better advantage of circumstances, but seldom does philanthropy encourage its beneficiaries to try to change them. The power to change adverse circumstances requires concerted, collective action. Philanthropy is seldom comfortable with this civic requirement because it requires a different sort of philanthropy: investing in collective, interactive capacities. It requires weaving new strands of social capital. Instead, while changing the context for ordinary folks is often seen as desirable, the actual changing is left to more powerful advocacy forces, which the newly empowered poor may be encouraged to join as supernumeraries but seldom as directors. That is seen as a job for experts or social entrepreneurs, who may emerge from the people, often with philanthropic help, but who end up higher on the political food chain. That ordinary folks can exercise leadership on a day-to-day basis through their reshaped collective civic action requires a different view of leadership—of “leaderful” communities rather than of social entrepreneurs—and a different philanthropy. Occasional cases in which collections of ordinary individuals effectively manage to change their contexts by their concerted action are lauded as heroic, but they are exceptional.

Philanthropists thus seldom encourage their grass roots to recast their relationships and organize civically in new ways to challenge the limits of their contextual environment, much less the limitations imposed by their own culture. This is seen as either risking disillusionment or as disrespectful of their heritage. Yet to continually press against established limitations, to develop a sense that one can own and change anything, is the only path toward the ownership that nurtures sustainable and democratic self-sufficiency. This requires a community to question its relationships. Again, rather than supporting specific projects, this requires a philanthropy that invests in civil capacities; not necessarily to do different things, but perhaps to do the same things very differently.

The failure of philanthropy to focus its assistance on the first two necessary steps—self-diagnosis and self-direction—has produced lasting and detrimental effects in

powerless populations everywhere. By so frequently allowing others, such as well-meaning philanthropists, to diagnose the needs and prescribe the solution for them, the weakest members of these populations are deprived of their first act of empowerment. By further disempowering those who are already powerless, philanthropy turns them into dependent clients. This has the pernicious consequence of cementing the existing dysfunctional relationships, justifying the need for endless philanthropy, and assigning its beneficiaries the roles of perpetual supplicants.

I do not question the good intentions of philanthropists, but it is a painful reality that while philanthropy is good at addressing needs, it doesn't really work to change the conditions that caused the needs in the first place. As a result, few beneficiary communities ever effectively "graduate" into self-sufficiency. To address this, I propose a different strategic approach to communities, an outreach that works within a community's own political process.

A Community's Political Process

Communal life is about the distribution and use of power for making decisions. We refer not necessarily to the power to coerce, but more broadly to the power to make things happen,²⁵ even if that power is unrealized or dormant.

Power is used to set priorities for the use of a community's limited resources and to choose, design, and implement solutions. The distribution of power may run the gamut from concentrated and unaccountable to diffuse and democratic. Still, certain steps must invariably occur.²⁶

Step 1: "Something needs attention." First, someone has to come to this realization. This could result from the whim of the local autocrat at one extreme or, at the other, from the conversation spawned by a concerned citizen who first convenes a few neighbors to share a concern. Who participates in this first stage is critical, as it will determine whose voices, interests, and mindsets will frame the question and consequently the proposed solution. The more representative the voices, the more sustainable will be the decisions that will be taken. The first concern for a civic investor who considers responding to a community proposal is to determine whose voices are represented in it.

It may not be simple. To the extent that the investor does not know the community, he or she will have to rely on the opinions of agents, themselves actors in the power relationships. Moreover, the convening itself may be an extremely complicated political act. The smaller and more homogenous the group, the simpler it will be to get agreements. As one approaches 100 percent representation, the addition of the intransigent fringes present in every society will drive the political "cost" of including them sharply upward.

It is a painful reality that while philanthropy is good at addressing needs, it doesn't really work to change the conditions that caused the needs in the first place.

²⁵ See: Harold Saunders, *A Public Peace Process; Sustained Dialogue to Transform Racial and Ethnic Conflicts* (New York: St. Martin's Press, 1999) for an elaboration of this notion of power and its implications.

²⁶ For a full description see: Daubon and Saunders, op. cit.

But there is also a cost to exclusion. Those left out of the conversation will, at best, have no stake and will expend no effort in acting on its outcomes. They may just go along to see what, if any, benefit the decision brings them and may try to avoid its effects if it doesn't benefit them. At worst, these absentees will consciously try to undercut or even subvert a policy in which they had no input. When decisions are made by the few, and the excluded are many, the cost of exclusion can be very high, with reactions that can run the gamut from simple impediments to armed opposition. As more are brought into the tent, the cost of exclusion decreases.

From a planner's—and a donor's—point of view, the sensible place to stop is the point at which adding another voice to the conversation will add more complexity than the benefit it brings. . . . A donor would therefore do well to consider in a proposal whether enough diversity is encompassed in its formulation, and whether adding more would bring more trouble than it is worth.

Notice also that as the conversation progresses and as the level of comfort increases in dealing with sensitive issues, the difficulty posed by diversity will tend to drop. That means that more diverse voices could be constructively brought in. Civic investors should be attentive to the notion that as the process advances it might be possible to insist on greater diversity than was originally advisable.

Step 2: “What exactly IS the problem?” Even absolute dictators will have a circle of trusted advisors. Likewise a community decision maker, even when acting more or less alone, will seek advice from his or her inner circle. The first question that should be addressed is the nature of the problem needing attention. While symptoms by their urgent nature cry out for attention, underlying causes are often disguised and harder to diagnose. By the same token, symptoms are easier to treat. Those who must produce results may thus be likelier to gravitate toward symptoms and immediate results and away from the thornier problems underneath. Unfortunately, this tendency often overtakes donors as well. Pressed for results by their own internal forces, they are often attracted by proposals that deal with symptoms. It is all too easy to fall back on the notion that being “responsive to the proponents” requires responding to the proposal as presented and not insisting on a deeper look.

This is destructive to community building and is perhaps the greatest harm done by donors. It deprives the community of the first basic act of empowerment: diagnosing its own problem. Admittedly, it is a legitimate quandary for donors as their sources of financing and their boards of directors press for results. It is far easier and quicker to build a school with a community than to engage with it in a lengthy process of discovering why the community has been unable to provide its own school, and then proceeding with the slow process of discovering how the donor can help the community find its own means to construct the school.

Yet this discovery of a community's underlying problem is indispensable to development. George Frederickson argues that such innovation takes the form of “discovering answers for as yet unasked questions.”²⁷ To urge a community to set

²⁷ H. George Frederickson, *Easy Innovation and the Iron Cage* (Kettering Foundation, 2003), p. 33.

immediate goals distorts its priorities and delays its capacity to search within itself for the underlying weaknesses, which should be the aim of philanthropic interventions. The first approach produces results; the second produces self-sufficiency and development.

Donors, big and small, have caused the greatest damage to development by thus depriving communities of the basic power to determine the nature of their own problems.

The first assistance that donors can provide as civic investors is with this process of “naming” the underlying problem. They should nevertheless be aware that the more diverse the naming group the harder it will be to arrive at a common name. Persons with diverse viewpoints and diverse personal circumstances will ascribe diverse causes to the symptom. Differences of age, gender, and social condition will tinge the diagnosis. Cleavages in the social fabric of the community will come to the fore as differences in perception will likely lead to accusations that “they”—the omnipresent others—are at the root of the problem. In fact, the community’s fabric may be so frayed that the conversation may not proceed further; it should then detour from the issue-at-hand and into a different conversation to deal with the dysfunction underlying the relationship itself. A Sustained Dialogue should then follow.²⁸

It is quite possible that even a relatively harmonious community with a broadly representative set of voices at work may not hit upon the underlying problem at the first pass. The process may have begun with a less representative group and made a first diagnosis based on an overly simplistic view of the problem. But as the conversations progress and as solutions are suggested, more voices may join in the conversation, and other definitions of the problem may be found. The donor has the obligation to support this process, not by directing it but by accompanying it, asking questions and making suggestions when approached.

Step 3: “If that is the problem, how can we approach it?” Once a deliberating group arrives at a consensus on what the problem is, the tensions implicit in the defining exercises relax and the conversation naturally takes a new direction; but a new tension will develop. Even if there were complete agreement as to the definition of the problem, no conceivable problem will have a single avenue of attack. Instead, each of different possible avenues will have its advantages and its disadvantages, and the decision-making group will have to weigh or deliberate the costs and benefits. Complicating matters is the likelihood that perceptions of the “advantages” and “disadvantages” will vary between the members of the group. What to some may appear as advantages may even be disadvantages to others.

A disciplined exercise is now required to lay out the possible alternative paths—a framing of the options. The more options identified, the richer the subsequent conversation, and presumably, the more sustainable the decision based on it. To the extent that these options are condensed after effective naming into a workable number of

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²⁸ See Saunders (op. cit) for a detailed description and examples of Sustained Dialogue in practice.

Democracy is unpredictable and messy; but its decisions are encompassing and that makes them more sustainable.

alternatives²⁹ and laid out in such a way that tension is evident between them, the clearer it will be to the participants that they will have to make a difficult choice. To choose one path and its implicit advantages means giving up the advantages of another.

The richness—and the implicit sustainability of democratic versus authoritarian decision making—means that more voices will identify more paths. The authoritarian or the expert will more likely favor the first path that strikes their prior or “educated” preferences. Not only will they lack the purchase of a public that sees its voice in the decision; they will start out with a more limited set of possible choices. Democracy is unpredictable and messy; but its decisions are encompassing and that makes them more sustainable.

Step 4: Making the choice. Well-framed choices will present the participants with clear alternative paths. The alternative that best meets an expert technician’s criteria might not take the community where it wants to go. If asked, participants might be willing to sacrifice some technical advantage for another benefit. But such a “non-technical” choice can only be made by the people themselves. This approach may not even have been evident beforehand, so it could not have been predicted by a well-informed and well-intentioned benefactor. Only the deliberative conversation and the involvement of the people will bring out the important values in the choices.

Such public deliberative conversations have taken many forms. They all aim to take their participants to three critical discoveries. First is the richness of information about the issue-at-hand. As more voices come in, each with bits of new information, it typically becomes clear to participants that much knowledge is to be gained by listening. Second a participant may begin to discover that another’s preference for a different path is based on his or her particular circumstances rather than on some evil intent. One may still disagree with another’s choice, but one begins to understand why it was chosen. That brings the critical third discovery: the other is not wrong; he or she just sees the problem differently. But if the other is not wrong, *then I am not necessarily right*. This is contrary to the way one normally enters into such conversations; one typically comes to argue one’s position and to convince others of its righteousness. But this revelation shatters the preordained sense of certainty. This incipient tolerance for ambiguity about one’s own preferences opens the path to democratic decision making. This cannot come from a closed decision process among advocates of one position; it comes only from the richness of a diverse deliberative public. Hence its solidity once a decision is reached.

A donor’s constructive role might be to offer space for this deliberation: facilitate the convening of voices; train or secure a moderator to help the group dig for the underlying problem; frame the alternative paths; and help guide the conversation to navigate the space among the choices. There is no correct solution; the diverse participants will have to discover their own. Whatever they discover and make their own will be the one they will stand by.

²⁹ See: Kettering Foundation, “Framing Issues for Public Deliberation.”

Step 5: Drafting a plan. After defining the underlying problem, choosing an approach to dealing with it may be the single most empowering act of a free people. Self-governance is in fact the capacity to decide where the collective wishes to go. Only the people themselves can decide *what* they need to do. *How* to do it becomes a question of technical support, for which external donors can be very helpful.

Unfortunately, most donor assistance jumps in at this stage and ignores the question of whether the diagnosed problem and the proposed path to its solution actually have the purchase of those who will live by it. By denying the intended beneficiaries this act of self-empowerment, they delay the development of self governance. The damage done over many years by development assistance administrators telling poor people “what’s wrong with them and what to do about it” has been enormous. It explains, in large part, why otherwise good policies don’t take hold in poor communities and countries and why bad governance continues to be the rule.

One can safely assume that most proposals submitted to funding agencies have not gone through this deliberative screening. So, instead of deciding whether to fund them on their merits alone, the donors should try to look at the process that generated them. The donor organization then has a choice. It can set aside the proposal and decide to fund the process of naming and direction setting, based on the donor’s instinct about the quality of the proponent rather than on an evaluation of the proposal. Or, perhaps more acceptable to common funding protocols, it can fund the proposed activity but encourage a continued deliberative process as it progresses, fully aware that major mid-course redefinitions and corrections are likely to emerge. Either way, the funding organization cannot handle the situation with the usual tools at its disposal. It has to rethink its role.

Step 6: Executing, evaluating, and correcting the plan. No plan will be perfectly laid out the first time around, no matter how thoroughly deliberated it may have been. Likewise, no community will hit it right on its first try. The very dynamics of community life, and the inclusion of increasingly diverse voices as the process matures will almost guarantee that new points of view will be brought to bear on the priorities and different decisions will likely result. No donor should therefore insist on the implementation of the plan as originally devised, no matter how democratic its inception. The changing circumstances of community life will present new challenges and opportunities not envisioned at the first pass. In fact, this capacity to continually reassess and correct the path might be the most precious indicator of development and the most significant accomplishment of the donor’s support.

The outcome of development philanthropy should, therefore, not be the effective fulfillment of a project. The successful outcome of civic investing is a community’s enhanced capacity to make autonomous decisions in a comprehensive, sustainable way to confront challenges and take advantage of opportunities that may arise. That makes for a successful community. And it requires a different kind of donor.

Only the people themselves can decide what they need to do. How to do it becomes a question of technical support, for which external donors can be very helpful.

A Civil Investing Primer for Development Philanthropy

To become a different kind of donor requires both a different approach and a different mindset. The approach is perhaps the easiest to adopt and—as it inevitably brings questions about the reason for funding as we do—will ease the transition toward a more enlightened learning mindset, the real challenge for philanthropy. So, here’s a checklist for civil investors approaching a funding decision.³⁰

- **Determine who is and who is not in the conversation that led to the proposed activity.** Encourage as diverse a conversation as the circumstances will bear. Such a conversation will be difficult and conflict-laden, but it will generate more knowledge and will produce a more solid commitment to the agreements that are made, no matter how unimportant they may be at first. Those small, committed agreements, few at first and later by the thousands and millions, will form the bedrock of sustainable governance.
- **Look for themes and patterns rather than causes and problems.** Look for the simple underlying pattern and the clear organizing principle beneath the surface complexity. Focus on relationships—economic, social, and political—and their components: identities, expressions of authority and power, interests, perceptions and stereotypes, and patterns of interaction of the groups involved. Let the concrete activity be secondary to the commitment to working together, and be willing to modify the activity as the capacity of the group to make decisions progresses.
- **Trust the power of the organizing principle once discovered, and let it loose.** Define some expectation of acceptable behavior and combine it with the freedom to individuals to assert themselves in unplanned ways. Anticipate changes; expect and welcome the unexpected.
- **Give it time.** Simple-minded ideas are designed quickly, even when they may appear complicated. Lasting ones, even if simple, must emerge at their own pace. Stay with the process and accompany it even beyond the funding period.
- **Encourage applicants to plan the global, but let the local free.** Everywhere in nature, order is maintained in the midst of change because autonomy exists at local levels. A community, as any system, can manage the global demands for change when it has built into it internal freedom of motion at the local level. The local level shouldn’t be waiting for instructions, but rather should be constantly innovating, guided by a shared organizing principle of self-reference.³¹

³⁰This checklist is adapted from: R. Daubon, “A Primer for Promoting Deliberative Democracy and the Dynamics of Development at the Grassroots,” in *Journal of Public Deliberation*, Vol. 1.1 (2005).

³¹This argument is exquisitely developed in Robert Nisbet, *The Quest for Community* (Oxford University Press, 1990).

A DIFFERENT KIND OF DONOR³²

Can donors learn to do civic investing? Indeed, they can. But undertaking civic investing requires that they learn to operate with a different institutional mindset and change their commitments—meaning that they will have to rethink their role in the complex world of development assistance. This transformation requires tremendous political will, given that institutions are trapped within a system that provides incentives for a different set of short-term results.

Development-assistance institutions are communities of people with their own characteristic behaviors underpinned by human relationships. Within these communities, members tend to share characteristic language, attitudes, and rules of interaction that can facilitate or inhibit the collaborative inquiry that leads to institutional learning. It is not possible to change institutional mindsets without changing individual routines and vice versa. It is all connected.

Inquiry does not become organizational if individuals learn and inquire separately from the organization to which they belong. For example, program officers continuously learn from the funding activities they administer—even and especially when the communities that receive those funds struggle through their project's implementation and, consequently, may fail to accomplish all of their goals. And, while program officers may learn from this kind of situation and use that knowledge when they consider future funding, they also understand that administering successful projects is a sign of professional effectiveness and status and that revealing their association to a failed project could jeopardize their careers. So, program officers often elect not to share their learning through a process of organizational inquiry because that process is itself threatening and could bring embarrassment or professional reprisals.

Donors must promote open forums in which members of the organization can question, challenge, and propose amendments or improvements to the organizational commitments. This diversity of opinion enriches the potential for learning but it also increases the complexity of human relationships. Although diversity of opinion enriches the potential for learning, staff members must agree on a set of agreed and explicit principles to guide its inquiry and process of discovery. The 57 members of RedEAmerica, for example,³³ the Inter-American Network of Corporations and Corporate Foundations went through an intense process of dialogue and deliberation to agree on key principles for grassroots development. All other institutional development processes have subsequently gravitated around those principles.

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³² Drafted with Ana Tenorio.

³³ Refer to www.redeamerica.org.

Learning occurs when those complex relationships themselves promote the sharing of experiences, the discussion of programs, projects, and budgets. Organizations and communities move from confrontation—or alternatively, avoidance—to collaboration when they engage in deliberative dialogue. When an organization acts on the agreements established through dialogue, it assumes a commitment to continue with the process of inquiry and detection of error. It is through this potent cocktail of collective experience, learning by doing, and consequent reflection that institutions may learn.

As part of their culture, however, institutions usually exhibit defensive routines that may inhibit the learning process.³⁴ The more an individual or institution is committed to a particular belief or idea, for example, the more resistant the individual or institution will be to information that is dissonant to that belief. If rejection is not feasible because of the unimpeachable legitimacy of the source of the conflicting cognition,—let us say—people and institutions can reduce the dissonance between these two ideas by assimilating the new piece of information into their original belief system.

Dissonance reducing behavior is ego-defensive behavior; when people or institutions reduce dissonance they maintain a whole, positive image of themselves and consequently, do not have to change their modus operandi.³⁵ Human beings and institutions, however, are capable of behavior that deals more productively with cognitive dissonance. Instead of using irrational defensive routines to assimilate or ultimately reject new ideas, institutions can promote a safe environment where individuals are encouraged to challenge existing paradigms.

Mechanisms to Promote Learning

Institutional learning is possible when an organization achieves collective awareness of the sources of cognitive dissonance, thus opening the possibility for collaboration and collective action. Organizational learning, then, consists of transforming organizational dissonance and confrontation into organizational inquiry and deliberative dialogue.

Individuals usually begin to inquire when there is a mismatch between outcomes and expectations. Awareness of this mismatch will ignite a cognitive dissonance that, if dealt with productively, is the engine for institutional learning. If the mismatch is rationalized, assimilated, or covered up, the institution loses the opportunity to learn.

Finding ways to elicit organizational inquiry to explore those mismatches is essential to promoting learning. Mechanisms for deliberative dialogues are needed to elicit this organizational inquiry. In extreme cases of conflict, the mechanism of Sustained Dialogue may be useful.³⁶

³⁴ For an elaboration of defensive routines, read: C. Argyris, *Knowledge for Action: A Guide to Overcoming Barriers to Organizational Change* (San Francisco: Jossey-Bass Publishers, 1993).

³⁵ Read E. Aronson, *The Social Animal* (San Francisco: W. H. Freeman and Company, 1980).

³⁶ For more information on Sustained Dialogue, see H. Saunders, *A Public Peace Process: Sustained Dialogues to Transform Racial and Ethnic Conflicts* (New York: St. Martin's Press, 1999).

Learning also has an action component and it is important to distinguish between those individuals who acquire new insights and those who act on new insights. Learning is productive when individuals take effective action based on their new insights. As a well-known Chinese proverb states: “I hear and I forget, I see and I remember, I do and I understand.” After all, we know that we know something when we can produce what we claim we know.

Learning is about experimentation, which only occurs when individuals do not feel threatened by the possibility of failure. An organization encourages learning when it minimizes the risks for experimentation and encourages inquiry. In such a climate, individuals are more likely to lower their defenses in the interest of the community and explore new ways of doing things.

How Can Donor Organizations Best Move Toward Civil Investing?

Philanthropies might wish to consider what intrinsic characteristics would make them more likely to accept the role of civic investor. The experience of RedEAmerica, an Inter-American Network of Corporate Foundations,³⁷ might be illuminating. The members of that network showed a great willingness to put the novel idea of civil investment in operation; many of them created new programs and some eventually even altered their entire modus operandi. It may be that in these cases the transition in mindset was less daunting because they were new donors with not yet fully established procedures, or because they had previously specialized in other charitable pursuits. By way of contrast, a number of well-established foundations with ongoing programs in community development who took part in a series of Civil Investing Seminars sponsored by the Kettering Foundation³⁸ appeared highly receptive to the idea of civil investing as a general organizing principle—but evidenced comparatively little implementation.

This has critical implications for donors already engaged in community development. When presented as a subtle adjustment to overall established practice, civil investing may well generate internal resistance. While “mainstreaming” civil investing would continue to be the ultimate objective, it may be more effective to introduce it first as a distinct and separate—even “experimental”—effort complementary to a broader program that continues to serve the same target populations.

The initial presentation might come from peer-to-peer network presentations (as in both RedEAmerica and the Civil Investing Seminar), prompted by “enlightened” promoters. The appeal will have to be designed to persuade four groups of actors in the foundation picture: donors, board members, foundation policymakers, and the

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³⁷ Presently the network encompasses 60 mostly Latin American corporate foundations and giving programs. See: www.RedEAmerica.org. (Available only in Spanish.)

³⁸ Convened by the Kettering Foundation between 1993 and 2004 at the behest of the Council on Foundations. See: Scott London, *Investing in Public Life* (Kettering Foundation and the Pew Partnership for Civic Change, 2005).

The impact of the shift in institutional mindset required for civil investing is likely to occur not in the kinds of projects a foundation supports but in the reasons to support them and in the way of evaluating their success.

program staff. Each has a different set of motivations, both directly and as they interpret each others' reactions to the process. Attention must be paid to the dynamics of their relationships and to where in this dynamic the message is first inserted.

Ultimately, the key actors are the members of the program staff who operate at the level where “the rubber meets the road.” They are in a position to either make or break the mindset change. The impact of the shift in institutional mindset required for civil investing is likely to occur not in the kinds of projects a foundation supports but in the reasons to support them and in the way of evaluating their success. Therefore, changes must be made in the selection and approval processes and subsequently in the monitoring and evaluation. Making these changes operational requires profound alterations in criteria and procedures that the program staff has to incorporate and the management has to bless.

Operating as a civil investor will imply altering not only the selection and evaluation procedures, but the fundamental values behind them. The managerial challenge will be all the greater since the superficial changes will be minimal while the underlying alterations will be profound. Once highly prized skills and experiences may become less valued and may result in the realignment of staff relationships. Generational cleavages may emerge between the “old think” and the “new think” and the eventual institutional change may have to await a generational one by natural staff attrition.

A further complication occurs down the line with the beneficiaries if the philanthropist has an established reputation in its area of action. A philanthropy with a history of funding youth programs or health-care facilities may face obstacles presenting itself now as an investor in civic capacities. This may be particularly difficult for applicants since the philanthropy may continue to support the same kinds of youth or health activities but for different reasons and with the expectation of different outcomes. This requires a very well articulated presentation of the novel reasons why a project was approved under the new civil investing lens and of the different ways in which results may be judged—that is, with an emphasis on sustainable capacities and not just near-term tangible results.

Some experience has shown that current beneficiaries can readily adjust to the idea of civil investing if it is explained to them one-on-one rather than in a group setting. Nevertheless, one of the most challenging aspects has been in advertising the civil investing purpose in a way that attracts new beneficiaries with the right kinds of proposals. The ultimate outcome of civil investing may not be fully evident until years after the investing intervention has ended. The challenge still to be resolved is to identify the signs that a change in civic culture is in the offing as a result of the philanthropic intervention during the limited time period in which that intervention takes place.

This still leaves us short in terms of offering definitive guidance to prospective civil investors. The need for philanthropy and development assistance remains as great as ever, yet we know now with some clarity that the “project” approach to

helping the poor does not produce sustainable results. If anything, it enhances the sense of dependency that lies at the corrosive core of poverty: the gnawing apprehension that one is powerless before one's circumstances. Traditional philanthropies are not unaware that disempowerment lies at the root of poverty and, as a result, they have discarded most of their old "Lady Bountiful" pursuits. They aim now to strengthen the individual capacities of the poor to overcome powerlessness on their own. This is seen as a better way to address poverty, faithful to the adage of "teaching a man to fish instead of feeding him." It is a complacent sell for philanthropies, their donors, and their staffs.

It also makes everything worse.

While commendable in principle, the focus on individual capacities delays the civic context on which success must be based. The challenge of philanthropy is to move away from the comfortable certainty of investing in individual capacities and into the uncharted territory of investing in a community's civic life. This involves fundamentally different approaches. It is their surface similarity that makes it all too easy for philanthropies to elude the essential distinctions and assume that "we are already doing it." They aren't.

But there have been success stories and lessons to be learned from them. Ironically, some of these lessons originate in surprising settings, such as the federal government's support for community development. Whatever their origin, they all share the view that the *community* is the unit of analysis, and the project intervention is seen as a vehicle for it, rather than an end in itself. They also invariably rely on trust in the community's capacity to invent and provide its own solutions.

Ultimately, it is a challenge of the kind of leadership that philanthropies can offer: one that does not ask to be followed but rather encourages the people to trust themselves. In his country's darkest hour, FDR told his people: "The only limit to our realization of tomorrow will be our doubts of today. Let us move forward with strong and active faith." Philanthropies could take note.

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